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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q4 2012 Genpact Limited earnings conference call. My name is Ashra and I will be your operator for today.

At this time all participants are in a listen-only mode and we will conduct a question-and-answer session towards the end of this conference. We will expect the call to conclude in an hour. As a reminder, this call is being recorded for replay purposes.

I would now like to turn the call over to Bharani Bobba, Head of Investor Relations at Genpact. Please proceed, sir.

Bharani Bobba - *Genpact Limited - IR*

Thank you. Welcome to Genpact's earnings call to discuss our results for the fourth-quarter and full-year ended December 31, 2012. We hope you have all had a chance to review our earnings release, but if you have not, you will find it in the Investor Relations section of our website, Genpact.com.

With me on the call are Tiger Tyagarajan, our President and Chief Executive Officer, and Mohit Bhatia, our Chief Financial Officer.

Our agenda for today is as follows - Tiger will begin with an overview of our results in the context of our long-term strategy, with a perspective on the current environment, followed by Mohit, who will discuss our financial performance in greater detail, and then Tiger will have some closing comments. Finally, Tiger and Mohit will be available to take your questions. We expect the call to last about an hour.

Please note that some of the matters we will discuss in today's call are forward-looking. These forward-looking statements involve a number of risks and uncertainties, and other factors that could cause actual results to differ materially from those in such forward-looking statements. Such risks and uncertainties include, but are not limited to, general economic conditions and those factors set forth in our press release and discussed under the Risk Factors section of our annual report on Form 10-K and other SEC filings. Genpact assume no obligation to update the information presented on this conference call.

In our call today we will refer to certain non-GAAP financial measures, which we believe provide additional information for investors and better reflect the way management views the operating performance of the business. You can find a reconciliation of those measures to GAAP, as well as related information, in our earnings release, as mentioned, in the Investor Relations section of our website, Genpact.com.

Please also refer to the Investor Fact Sheet on the front page of the IR section of our website for further details on our results, where we have added additional information we hope you will find useful.

With that let me turn the call over to Tiger.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Thank you, Bharani. Good morning, good afternoon, and good evening, everyone, and thank you for joining us on our earnings call today.

Genpact delivered solid financial results in quarter four and for the full year 2012 with strong growth in revenues, adjusted operating income, and cash flow from operations. 2012 marked another year of consistent growth for Genpact as we continued to deliver clear, measurable business outcomes for clients; differentiate our approach through building capabilities and expertise; invest in our growth strategies; and build on Genpact's strong position in our large and underpenetrated target markets.

Throughout 2012, we strengthened our relationships with existing clients, as well as added many new clients. In addition, we expanded and strengthened our capabilities across our enterprise services offerings, industry vertical markets, and geographies with both investment initiatives and acquisitions. All of these accomplishments build upon our solid foundation and position us to take advantage of the large market opportunity available to us and long runway to drive sustained growth in revenues and cash flow.

Our full-year financial highlights are as follows - overall revenues of $1.9 billion increased 19% from 2011. Revenues from our Global Clients business increased 26% led by our Insurance, Consumer Goods, Retail and Life Sciences verticals.

Within Global Clients, Business Process Management revenues increased 21% including growth of 31% for Smart Decision Services. Global Client ITO revenues increased 42% for the full year, 36% excluding the positive contribution to revenues of the Capital Markets business we acquired in 2011. Growth was broad-based, with most of our services offerings growing at double-digit rates in 2012. GE revenues increased 3%, Adjusted Operating Income increased 18%, Cash Flow from Operations increased 17%, and our Adjusted Operating Income Margin totaled 16.5%.

Turning to the fourth-quarter highlights, revenues passed the $500 million mark for the quarter for the first time totaling $508 million, an increase of 15% year over year and 3.4% sequentially.

Fourth-quarter revenue growth was led by a 19% increase from Global Clients. Additionally, Global Clients BPM and Smart Decision Services revenues both increased 21% and Global Client ITO revenues increased 14% in quarter four. Adjusted Operating Income increased 9% in the fourth quarter and Adjusted Operating Income Margin totaled 16.5%.

In 2012 we continued to expand relationships with existing clients across a broad range of our verticals. Clients representing more than $1 million in annual revenue increased to 196 at the end of 2012, up from 177 at the end of 2011, within which clients representing more than $25 million in revenue increased to 11 from nine. This is evidence of our ability to expand relationships as we partner with clients to undertake transformation and drive performance.

In summary, our results in the fourth quarter and the full year 2012 demonstrated strong client demand, sustainable profitable growth, and evidence that the five key elements of our growth strategy are resonating with the marketplace and adding the capabilities clients value. We have evolved this growth strategy over time and with consistent implementation and investment, we are increasingly differentiating our business model and strengthening our foundation for sustainable growth.

The key elements of our growth strategy are -- first, to guide global enterprises to best-in-class through our proprietary Smart Enterprise Process framework that delivers improved business outcomes for them. Our clients are looking for partners to help migrate their businesses to a more variable cost structure and jointly develop innovative solutions to help balance the challenges of lower growth in developed economies while, simultaneously, helping them capture higher growth in emerging markets, all in the context of driving a comprehensive agenda of transformation. This combination is increasingly a challenge for clients, across industry verticals. Our key differentiator as a partner is the ability to deliver better outcomes and effectiveness, not just in the specific services we manage for the client, but across the client's entire delivery footprint.

Our SEP framework, built on the foundation of thousands of Lean Six Sigma-based improvement ideas and benchmarks around granular process performance, builds deeper client relationships and delivers measurable business impact over time. Our differentiated framework is critical, not only to extending client contracts but also creating an expansive partnership-type relationship with our clients. SEP and our focus on operational excellence were critical to our ability to achieve our highest-ever Net Promoter Score at the end of 2012.

As we previously announced, we were awarded a five-year contract extension by global pharmaceutical leader GlaxoSmithKline for finance and accounting services. Under this agreement, Genpact will continue to deliver finance processes across several global regions, supporting GSK's drive to standardize core business processes and services. A number of global corporations are engaged with us to drive a similar transformational agenda to take their processes to best-in-class.

A second key element of our growth strategy is to invest in and build targeted vertical industry and domain expertise.

Clients want partners who know their industry and processes at a granular level. We are enhancing our industry and domain capabilities through investments in experienced professionals in our targeted verticals to improve client intimacy and help us deliver end-to-end services that drive business impact. The healthcare insurance payers' space is one such targeted vertical where we are building deep expertise. We were recently engaged by one of the largest healthcare insurance payers to provide end-to-end Finance & Accounting Services. Our Finance & Accounting payer-specific knowledge and expertise were critical to our being selected as a partner.

A third vital element of our growth strategy is to combine data analytics, process expertise and technology solutions to create meaningful insights for our clients.

Clients face an environment of uncertainty and change, which requires them to better leverage existing costs and investments, and make more informed decisions that address challenges around regulations and risk, while they continue to drive top-line growth and profitability. The insights we can derive from our experience and expertise, combining smarter processes, analytics and technology, help us provide a differentiating solution to these challenges.

We recently won an IT outsourcing cross-sell engagement with an existing large financial services client for whom we already provide Finance & Accounting, Procurement, and Process Reengineering. Our ability to provide vertical-specific insights was critical to this win. More importantly, our client had confidence that we could leverage our insights derived from operating their business processes to also effectively manage their technology.

The fourth element of our growth strategy is to expand geographically in both our markets and delivery capabilities.

We deliver our services and solutions from 20 countries, including six locations in the U.S. We continue to expand and diversify our delivery capabilities in order to be closer to our clients, particularly as the nature of our work becomes increasingly complex. As an example, we are currently working with Heineken to set up their captive global shared services center. Our engagement with Heineken combines our insights across multiple domains, including Finance & Accounting and Reengineering, as well as our knowledge of best practices in bringing scale to functions in the European market. We are also providing our unique expertise in transitioning complex processes, and our Lean Six Sigma and SEP methodologies, for the design and management of their global shared service centers.

The final key element of our growth strategy is to add or expand our capabilities through investments or acquisitions.

Early in 2012 we acquired a business that added strong expertise in the retail vertical as well as Dutch language skills. In quarter three we added engineering and technical service expertise that allows us to tap into the high-growth sectors of aerospace, energy, and oil & gas.

Earlier this week, we announced the acquisition of JAWOOD, a leading provider of business and technology services to the healthcare payer industry. This acquisition adds to Genpact's existing deep domain expertise and strengthens our solutions and services offerings in the healthcare payer market.

Genpact already provides business process management and analytical services in areas such as claims management, membership management, provider management, clinical services, and finance and accounting.

The healthcare payer industry is seeing enormous growth due to the extensive secular and regulatory changes, including transition from ICD9 to ICD10, creation of health insurance exchanges, the development of alternative risk and payment models, including Accountable Care, and compliance with the new US Patient Protection and Affordable Care Act. This acquisition will enable Genpact to build-out strong industry solutions that combine process, analytics and technology. It is an excellent example of strengthening our domain expertise in a key growth vertical market.

Our results for the fourth quarter and full year demonstrate that these five key elements of our growth strategy are resonating with the marketplace. With consistent implementation and investment, we are expanding client engagements and creating a clearly differentiated business model that will help drive sustainable growth in 2013 and beyond.

Turning to the future, the macro environment continues to be challenging for some industries and appears to be improving in the others. We are encouraged by pockets of improvement in the US economy and many of our targeted vertical markets. However, GDP growth is still sluggish in many countries and industries, leading clients to exercise caution in making new investments. In industries undergoing secular change, where our clients are focused on adapting and transforming their business models, we see strong demand for short-term reengineering and cost-reduction opportunities. In industries where the outlook is more certain or improving, we see increased client interest in longer term, more transformative engagements. Achieving strong results in a volatile macroeconomic environment is a testament to our business model, which is resilient, diversified, and differentiated, and drives value for our clients.

Our pipeline remains healthy and stable, driven by investments in our client-facing teams. This stability is broad across most of our industry segments, such as Banking and Financial Services, Consumer Goods, Retail, and Life Sciences verticals. Finance & Accounting and Banking Operations remain strong. Geographically, the Americas pipeline has accelerated and Europe is stable. Client decision cycle-times, while stable overall, have shown pockets of delayed decisions. Deal sizes have been steady, and pricing is competitive, but stable.

In the Capital Markets vertical, as we have discussed in the past, demand for discretionary projects continues to be sluggish, but the business is stable. Additionally, we are having discussions regarding longer-term transformational engagements. Our IT business, outside of Capital Markets is performing well.

With that I will now turn the call over to Mohit.

Mohit Bhatia - *Genpact Limited - CFO*

Thank you, Tiger, and good morning, everyone. Today I will review our fourth-quarter performance and full-year results, followed by a summary of key highlights on the balance sheet and statement of cash flow.

In the fourth quarter of 2012 our revenues were $507.7 million, up 14.7% year over year and 3.4% sequentially. Business Process Management revenues grew 16%, while our overall IT revenues grew 10% within which Global Client IT revenues grew 14%.

Adjusted income from operations totaled $83.9 million in the fourth quarter of 2012, an increase of $6.8 million from the prior-year quarter. This represents a margin of 16.5% compared to 17.4% in the fourth quarter of 2011. Excluding the impact of a one-time impairment charge related to certain capital work in progress items, our fourth-quarter margin would have been 17.3%.

Our gross profit for the fourth quarter totaled $197.9 million, representing a margin of 39% compared to 39.4% in the prior-year quarter.

SG&A expenses totaled $118.8 million in the fourth quarter, representing 23.4% of revenue, an improvement of 100 basis points from 24.4% in the fourth quarter of last year. This improvement was driven through better utilization of resources and tighter controls on discretionary spends that have helped offset the impact of investments in domain experts and front-end sales and business development deals.

Our fourth-quarter GAAP net income totaled $53.4 million, or $0.23 per diluted share, compared to $61.1 million, or $0.27 per diluted share, in the fourth quarter of 2011. The year-over-year contribution from higher operating income was more than offset by lesser benefit from foreign exchange re-measurement recorded below the income from operations line and higher taxes.

I will now turn to our full-year financial results.

On a full-year basis our revenues were $1.902 billion, up 18.8% year over year. Business Process Management revenues increased 16%. In addition, our overall IT services revenues increased 31%. Within the overall IT services business, Global Client revenue grew 42% and GE revenues grew 5% year over year.

Adjusted income from operations totaled $313.1 million, an increase of $48.6 million from the prior year. This represents a margin of 16.5%, equal to 2011. This margin reflected our planned investments for growth, partly offset by foreign exchange gains. We do not expect foreign exchange gains in 2013 to continue at the 2012 levels.

Our gross profit for the year totaled $744 million, representing a gross margin of 39.1%, up 190 basis points from 37.2% last year, due to a higher margin contribution from Smart Decision Services and favorable foreign exchange that more than offset the impact of wage inflation and investments in new geographies. As stated in our previous earnings calls, the strong performance in gross margin is partially a result of foreign exchange gains. We do not expect foreign exchange gains to continue at these levels in 2013.

SG&A expenses totaled $457 million, representing 24% of revenue compared to $358 million, or 22.4%, in 2011. This increase was driven by planned investments for growth in sales and relationship management resources and specific R&D functions, such as domain expertise, Lean Six Sigma, and new product development. In addition, SG&A also included recapitalization-related expenses of $6.2 million.

Our sales and marketing expenditures as a percentage of revenue were approximately 4.9% in 2012, up from 4.2% in 2011, as we ramped up investments in our client-facing teams. We will continue to ramp up client-facing and domain expert teams in 2013, but in a measured fashion with the intent of focusing on the investments that we have already made.

The remainder of the income statement includes a number of puts and takes, so please note that I will call out expenses related to the recapitalization, such as fee, interest related to the financing of the special dividend, and the sale of shares by original sponsors.

Full-year GAAP net income totaled $178.2 million, or $0.78 per diluted share, in 2012 compared to $184.3 million, or $0.81 per diluted share, in 2011.

The year-over-year contribution from higher operating income of $0.16 was more than offset by -

Less benefit from foreign exchange re-measurement recorded below the income from operations line. In 2011 the re-measurement gain was $35.1 million, or $0.11 per share. In 2012 the re-measurement game was $13.1 million, or $0.04 per share, for a net decline of $22.0 million, or $0.07 per share, year over year.

Second, $0.08 per share for the recapitalization event and

Finally, $0.04 per share, primarily due to higher net interest expense and higher stock comp expenses.

The $0.08 per share impact of the recapitalization event was primarily due to the following -

1. Professional fees associated with the recapitalization, equal to approximately $6.5 million, or $0.03 per share;

2. Incremental interest cost of $8.4 million associated with the new debt facility, and a write-off of $5.5 million in upfront fees relating to our previous debt facility, together totaling $0.04 per share; and

3. Withholding taxes relating to the internal movement of funds to pay the cash dividend of approximately $2.3 million, or $0.01 per share.

Our adjusted EPS for 2012 was $0.96 compared to $0.98 in 2011. The lower adjusted EPS was due to the reasons just stated above.

As discussed in our previous calls, going forward pretax interest expense under our new facility, including the funding impact for the JAWOOD acquisition, will increase by $6.8 million to approximately $9.3 million per quarter. Our tax expense for the year was $78.4 million compared to $70.7 million in 2011, representing an effective tax rate of 30.6% compared to 27.7% in 2011. The increase in ETR is partly driven by tax costs related to the recapitalization, such as withholding taxes and non-deductible expenses.

There is also the effect of certain changes in the distribution of our income in favor of higher tax jurisdictions. Excluding the recapitalization related impact, the effective tax would have been approximately 29%.

In 2013, we expect our effective tax rate to be in the range of 27% to 29%. We expect continued growth in tax-exempt and low-tax jurisdictions. I will now turn to our balance sheet.

Our cash and liquid assets totaled approximately $478 million compared to $408 million in 2011. This balance is after retiring $360 million of the previous loan facility, paying for the special cash dividend of $502 million, and incurring $15 million in recapitalization related fees and expenses, as well as $56 million for acquisitions and $83 million for capital expenditures.

These items were partly funded through a new debt facility of $925 million, of which $755 million was drawn as of December 31, 2012. At year-end we still had $478 million of cash and, together with the undrawn capacity of approximately $163 million, ample resources to pursue growth opportunities. Our net debt to EBITDA for the year was approximately 0.8x, which is prudent and manageable given our cash generating capability.

Our days sales outstanding stood at 80, an improvement of two days compared to 2011 and an improvement of four days sequentially. We improved DSOs year over year through tighter controls on our overall collections and working closely with our clients on the order to cash process.

Turning to operating cash flows, we generated $311 million of cash from operations in 2012, up from $267 million in 2011. This 17% increase was due to higher earnings and better working capital management. The cash flow for 2012 included a receipt of an upfront client payment of approximately $45 million as mentioned in our second-quarter earnings call, which completely offset the impact of significant one-time non-recurring inflows in 2011 that we had called out in our fourth-quarter 2011 earnings call.

After adjusting for the above items and some other non-recurring benefits, our cash flow from operations in 2012 grew approximately in line with revenue.

Taking into account the one-time client payment of $45 million, other non-recurring inflows in 2012 as stated above, and higher debt servicing costs in 2013, we expect our cash flow from operations in 2013 to be approximately 10% to 15% lower than the 2012 reported CFOA of $311 million.

Capital expenditure as a percentage of revenue totaled approximately 4.1% in 2012. This was mostly invested in creating additional capacity for growth in China, the Americas, Europe, and our SEZ locations in India, and also investments in digitization initiatives and new technology. We expect 2013 capital expenditure as a percentage of revenue to be in the range of 3% to 4%. Please note that we have included ranges for a number of these metrics for 2013 on our Fact Sheet.

With that I hand it back to Tiger for his closing comments.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Thank you, Mohit. In closing, our fourth-quarter and full-year 2012 results extend the great momentum we have established for eight consecutive quarters. Our continued maniacal focus on operational excellence drives high client satisfaction levels, as reflected in our highest-ever Net Promoter Scores, and we are well-positioned to partner with our clients on their transformational journeys. We will invest to provide clients with the insight and solutions that will enable them to run a more intelligent enterprise; one that is more globally effective, connected, innovative, and adaptive. Although in the near-term global GDP may be sluggish, we are excited about the opportunity in our large, underpenetrated target markets. Our focus is to provide world-class services to our clients, which we believe will position us to take advantage of the long runway in our target markets and drive sustained growth in revenues and cash flow.

We plan to discuss our market opportunity and growth strategy in greater detail during our February 20 Investor Day.

Now let me turn to our 2013 guidance. Genpact helps clients navigate economic and secular change. Our clients continue to face volatility and uncertainty that is forcing them to demand better returns on investment, develop more competitive insights, drive growth, and even re-think their business models. We remain cautious, as are many of our clients, about the global economy in the near term, even as we see signs of improvement, and we are bullish on the long term.

For the full year 2013, we expect revenues to be in a range of $2.15 billion to $2.20 billion, and adjusted operating income margin in a range of 15.8% to 16.3%. This guidance reflects the revenue contribution and slight margin dilution for the year resulting from the recently announced acquisition of JAWOOD. Without the anticipated impact of JAWOOD we would have expected 2013 adjusted operating income margin to be in a range of 16%to 16.5%.

I will now hand the call back to Bharani.

Bharani Bobba - *Genpact Limited - IR*

Thank you, Tiger. I would like to open the call up for Q&A. Operator, please give the instructions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Tien-Tsin Huang, JPMorgan.

Tien-Tsin Huang - *JPMorgan - Analyst*

Great, thanks. Good results here. Tiger, I guess I'll ask about the outlook and just visibility in general this year versus this time last year. Maybe, if possible, you can give us what the organic growth assumption is in your outlook, assuming that JAWOOD is contributing something to it.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Thanks. Our outlook and the way we have built it up is actually very similar to the way we did the exercise for 2012, and our visibility, I would characterize the visibility as being very similar. Obviously there are different parts of the business that have different levels of visibility, given discretionary spends versus nondiscretionary spends.

There are different verticals, as we have said, that have different pressures. Some that are short-term pressures, some that are under long-term secular change. All of those, obviously, change visibility by different segment, but overall visibility is very similar to 2012.

Specific to your question on JAWOOD and its contribution, JAWOOD would approximately contribute 2% to our 2013 revenues and, therefore, that $2.15 billion to $2.2 billion includes a 2% contribution from JAWOOD. And that is pretty much what we have assumed in our outlook.

Tien-Tsin Huang - *JPMorgan - Analyst*

Okay, that is good to know. Then just thinking about the quality of the pipeline, etc. you had mentioned, Tiger, longer terms for transformational engagements. I am just curious how close are those to potential decisions and how large potentially could those be.

It was always great to hear the update on the clients with great than $25 million, but I am trying to get a rough size of some of these larger deals that you might be pursuing.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

So actually, again, as we have been saying actually now for probably for three or four years there are some engagements that start big on day one. But even those, if you think about our business, takes time to ramp up to that big engagement that you signed up for. A lot of our engagements actually start with either a geography or a division or a set of processes that then get added further through other geographies, businesses, and processes. So we grow through a life cycle, typically, of the first two or three years and then the next round of life cycle.

If I were to look at the pipeline today, the distribution of small versus large, transformational versus let's just get this done for immediate benefit, I would say that distribution is pretty similar to what it has been over the last two or three years. The couple of colors I would add, and I have talked about this on the call, the Americas pipeline has accelerated which is great because for some time it had not accelerated. Our European pipeline, which has been accelerating in the past, is now stable, so we feel good now that both of them are in a good position in terms of a pipeline.

From a service line perspective, finance and accounting, insurance operations, back office operations for financial services are looking good in terms of what is sitting in that pipeline. But these are, as you know in our business, these are engagements that take time for decision making and then take time for execution.

Tien-Tsin Huang - *JPMorgan - Analyst*

Totally understand, totally understand. Last one then I will get off. Just Smart Decision Services has been very, very solid. How large is that as a percent of revenue now? I am sorry if I missed it; just curious what that look like as you exited the year.

Mohit Bhatia - *Genpact Limited - CFO*

Smart Decision Services as a percentage of revenue is just over 15% at this point in time. So it is holding on to about the same range we mentioned last time.

Tien-Tsin Huang - *JPMorgan - Analyst*

All right, great. Thanks for that.

Operator

Edward Caso, Wells Fargo.

Edward Caso - *Wells Fargo Securities - Analyst*

Good morning or good evening. Thank you for taking my question. We noticed that the headcount went down quarter on quarter; is that something we should read in or is that just the fine-tuning of utilization?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Ed, there is nothing more to read in there except fine-tuning of utilization. So that is one.

Obviously, it is prudent to run the business, particularly on the discretionary side when you adjust for utilization, and it's an adjustment of bench. But I think it also reflects some of the growth we have got above company average on Smart Decision Services. As you can imagine, Smart Decision Services would have a slower headcount growth overall as compared to revenue because it just is higher value-added services. So I think it is a combination of both.

Edward Caso - *Wells Fargo Securities - Analyst*

Can you talk a little bit about JAWOOD, that acquisition? Sort of surprised how much a margin impact it had since I guess the math is about $50 million or so in revenue. And I believe there is a software angle to it as well.

Could you sort of give us a little bit more color on the dynamics, financial dynamics of the acquisition?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

So I will talk a little bit of the distribution of the work, etc., and the type of work. Then I'm going to hand it over to Mohit for the margin discussion.

It is a business that has been in business for a long time. It focuses on the healthcare payer space. While a substantial portion of the business is onshore work, it does have an offshore component that is material and, therefore, the total business is an offshore and an onshore component.

It obviously is focused on areas that add to capabilities that we have in the healthcare payer space and the combination is what we believe is going to drive incremental growth in our healthcare vertical.

So it is technology services, it is understanding the domain around claims; it is understanding the domain around conversion from ICD9 to ICD10, the exchanges, and so on. That combined with our process knowledge around the same domains is what we feel excited about. Margin, Mohit?

Mohit Bhatia - *Genpact Limited - CFO*

Sure, Tiger. The margin we have assumed right now is in the range of about 10% to 12%, as compared to our company margin of 16-odd-percent. But I do want to caveat the fact that this is a brand-new acquisition; we just about got it in.

We have yet to do a detailed analysis. We have got to get into an apples-to-apples comparison of their cost lines and ours and the way we define stuff. So we got to do that.

Also, in the beginning there is going to be integration expenses and other stuff that we will be incurring, but broadly it will be in the range of 10% to 12% is what we have assumed.

Edward Caso - *Wells Fargo Securities - Analyst*

Thank you.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

And the final point on that, Ed, would be it is no different than typical capability acquisitions that we have done of this size in the past. They tend to start at that level. But driven by growth, which is the whole objective of these acquisitions because they are bringing in capabilities, they tend to come back to steady-state margins of the company.

So we feel very comfortable with the way this acquisition looks and feels as compared to things that we have done in the past.

Edward Caso - *Wells Fargo Securities - Analyst*

Thank you and congrats on another strong quarter.

Operator

Paul Thomas, Goldman Sachs.

Paul Thomas - *Goldman Sachs - Analyst*

Good morning, guys. Thanks for taking my question. I guess following up on the margin question on JAWOOD, so if it is kind of a typical process, I mean how long do you think it would take to get those margins back up to the corporate average?

Mohit Bhatia - *Genpact Limited - CFO*

Again, 12 to 24 months sounds like I really thought this through, but, hey, we just about acquired this company. We have got to figure things out.

We are going to do what is best for the Company. We are going to realign portfolios. We are going to look at the way they are structured -- the sales teams, the operating teams.

So a little bit premature for me to give you an accurate assessment, but there is no question we are very confident of improving the margin profile with the synergies that we can see openly out there. So maybe 12 to 24 months we should see their margin profiles improving.

Paul Thomas - *Goldman Sachs - Analyst*

Okay, thanks for that. Then in the prepared comments you guys were talking about decisions that were still showing pockets of delay. Could you give us a little more color on that? Any particular segments or geographies to kind of highlight where decision may have -- processes may have slowed down recently?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Paul, no, I don't think there has been any change recently. It is a continuation of the way I think the world has been, and we have talked about this actually now for, boringly, a couple of years, where there are geographies that tend to slow down for some time then reaccelerate back. It is also a function of the Company itself.

When a specific company is undergoing a change, either because it is undergoing an acquisition or it is splitting into two companies or it is redefining its business model, all of those tend to delay a decision that is imminent. Then three, six months later they take the same decision. So there is nothing different about this.

Our long-term trajectory continues to remain the same. A lot of companies want the kind of services, want a partnership that helps them traverse the journey that we just talked about. So it is in the context of that. All I was saying is not everyone is on the same decision-making track, and that is the nature, I think, of the world we are in.

Paul Thomas - *Goldman Sachs - Analyst*

Understood. Thanks a lot, guys.

Operator

Bhavan Suri, William Blair & Company.

Rahul Bhangare - *William Blair & Company - Analyst*

This is actually Rahul Bhangare in for Bhavan. Good quarter, guys. I was wondering if you could give us a little bit more detail on the traction you are having with the new sales hires from the last couple of years.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Yes, let me take that. As we have maintained, as we bring in these salespeople with deep domain expertise in the markets, the verticals, the geographies that we serve, our objective is really to integrate them into the Company in terms of understanding the value that we provide, the differentiation that we have, the Lean Six Sigma and SEP Smart Enterprise Process capabilities we have, and start taking that to clients.

Then when we overlay that with the sales cycle, which in our business is a long sales cycle, and then further length around transitions before revenue gets recognized, we clearly see this as a two- to three-year journey at a minimum.

The salespeople we have got into the team we feel really good about the way they have been integrated. We feel very good about the way they are getting traction in the conversations they are having with clients. We feel very good about the generation of early wins.

Some of that is a reflection in Smart Decision Services because those are shorter cycle and get decisions faster, and revenue also comes through faster. So overall feel very good. I must tell you that we had planned to take that investment to 5% by the end of 2012.

As you heard Mohit say it is at 2.9%. Therefore, it is very important that we measure this investment and do it in a measured way so that we can integrate them well. We will continue this trajectory as we go into 2013 and beyond, because we feel good about the investments we have made.

Rahul Bhangare - *William Blair & Company - Analyst*

Okay, great. Then GE growth was a bit above our expectation. Should we expect to see this type of growth in 2013?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Hope so, but we always think about GE, given our penetration in the businesses and given the fact that it is a range of businesses across a range of geographies and very diversified, we always plan for flat to very low single-digit growth. Then, as the year pans out, we will see how it works.

We feel very good about 2012, 3% growth very good. But as far as 2013 is concerned, I think we should assume flat, low single digits, very low single digits.

Rahul Bhangare - *William Blair & Company - Analyst*

All right, thanks.

Operator

Joseph Foresi, Janney Montgomery Scott.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

My first question here is just maybe we could just put this in context as we head into 2013. How do you feel about the pipeline heading into this year versus last year? Any quantitative information you could give us regarding that would be helpful as well?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

I think I answered this earlier. The visibility of the pipeline for 2013 I would characterize as being quantitatively very similar to the visibility of the pipeline in 2012. Clearly, the difference would be the constitution of that pipeline by vertical, by geography, by service line. And I characterized that when I said that the America's pipeline seems to have accelerated, which is very good news. Finance and accounting and back office services for financial services looks very good.

Talk about the capital markets transformational discussions, which have been going on for actually two or three quarters, those will take time to fructify because those are big changes for large corporations that they haven't undertaken before. We talked about both growth in verticals, such as pharmaceuticals, life sciences, and consumer products, and we also talked about the fact that the pipeline there is strong.

So I mean that is the way I would add color to the way we think about the pipeline.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Okay. Then just going back to the sales force question, how would you measure their productivity at this point? I think we had talked about in the past there being a -- Genpact having a pretty high win rate. How would you measure your ability to maybe get some more at-bats, for lack of a better term, out in the market and how have you seen a change in that?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

So our productivity metrics around sales force is a range of metrics. Win rate is less about sales force productivity. It is more about is our value proposition resonating in the market and are people selling it right, etc.?

So we measure it in terms of how many conversations they are having. Are they having enough conversations at different stages of the pipeline given the length of the sales cycle? Is there enough range of clients they are talking to? Are those moving through the pipeline? And then subsequently, ultimately do they win the right number?

Obviously, when we hire a sales person, the initial period is all about is there enough activity. Then the subsequent period would be all about is there enough conversion of that activity into revenue. And that is a journey. In a BPM business that journey could be as long as two-and-a-half or three years.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Have you seen any change in any of those metrics?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Have we seen any change in the yield metrics?

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Yes.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

When new people join the yield metrics of the group as an average, for obvious reasons, would drop because the mix includes new people and new people start at a lower level in that metric. As time passes by and as those people get integrated their individual metric grows. As the mix ages the metric improves.

So I would characterize those metrics as metrics that for the Company should improve in a long-term, next two- to three-year trajectory. Because that sales force that we have added in the last 18 months and the sales force that we will add in the next 18 months would take that time to, quote-unquote, mature.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Perfect. One last quick one for me, just a housekeeping one. How should we think about the other income line heading through next year? Maybe, Mohit, if you could just chime in on that.

Mohit Bhatia - *Genpact Limited - CFO*

Sure, Joe. So basically in the other income line you will see interest costs going up because of our new debt facility that we have taken on. I mentioned in the script that we expect interest costs every quarter to be in the range of $9 million to $9.5 million, approximately $9.3 million.

Add to this other miscellaneous stuff, we should see about a $38 million to $40 million expense line on the interest side, just a gross expense. As far as interest income is concerned, we should see it at similar levels of 2012. Does that help?

Joseph Foresi - *Janney Montgomery Scott - Analyst*

It does help. Thank you, guys.

Operator

Ashwin Shirvaikar, Citibank.

Ashwin Shirvaikar - *Citigroup - Analyst*

So, Tiger, one of the issues you had laid out I guess when we met last year was that Genpact didn't actually see every opportunity that was out there. I think you put out a metric that said maybe you only see 50% to 60% of all the opportunities.

As you add sales force and as you change some of these processes, do you have a sense for how much of the opportunity you actually see and can go after? I am asking less about productivity, more about the top of the funnel, if you will.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

It is a great question and it is a question that we think about a lot. I don't think we have all the answers, and that is the good news because I think it is an opportunity.

We don't see everything that is out there. We don't see every opportunity. The more we see those I think the more our differentiation does play out and then we win our fair share. And sometimes we win more than our fair share, particularly in specific industry verticals, in specific service lines that we think we are best-in-class.

I think our approach as we go into 2013 and beyond is to constantly think about how do we get known more, how do we continue to deliver great operating excellence with great Net Promoter Ccores. The fundamental premise of Net Promoter Scores is when you have customers who are highly satisfied, who have got great value addition they will promote us and we have seen that play out over the years.

So don't know exactly how much we see. I think there are some metrics that tell us that we probably see 1-in-2 to 1-in-3.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

And as we get prepared and ready and talk through the Feb. 20th investor day, we will talk about this in terms of the context of the total market, the way we think about penetration in that market, and the way we think about what we think we see versus what we don't see. Our thinking around how we will go about capturing that.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay, understood. A couple of clarifications. The organic contribution that you gave, the inorganic contribution you gave earlier was that just JAWOOD or was that the total inorganic contribution? Because there were, I think there were other acquisitions that affect this year.

Mohit Bhatia - *Genpact Limited - CFO*

I assume you are talking about our 2013 guidance?

Ashwin Shirvaikar - *Citigroup - Analyst*

Yes, in the guidance.

Mohit Bhatia - *Genpact Limited - CFO*

Okay. So, listen, the $2.15 billion to $2.2 billion is the total growth, which includes everything. The only material inorganic part of that would be JAWOOD because we have almost a 10.5-month impact of revenue that we get from them, which will be approximately 2% on 2012.

Honestly, the rest of them we have almost had for most of the year. We are really going to integrate them and mix them up with our different industry verticals as we speak.

It is going to be very hard for us to measure them in their original form. In fact, I really encourage everybody to focus on our overall performance. Whenever we do an acquisition we are going to highlight it; where required we tweak our guidance.

But having said that our whole endeavor is to get the acquisition, mix the teams, exchange product portfolios, do what is right for the larger Genpact, and, therefore, measuring performance at the original entity level, especially for the small platform capabilities that we are acquiring which are so organic in nature. Stuff we could have really done ourselves, but faster to get the capability from the outside.

And, therefore, honestly, when we talk about 2013 we are looking at it overall as $2.15 billion to $2.20 billion. JAWOOD being brand-new approximately 2%.

Ashwin Shirvaikar - *Citigroup - Analyst*

Got it. Last point more of a clarification understanding type of thing. You had I think a couple of contracts that got renewed and on renewals do you typically see a material price down that we should worry about?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Let me take that one. Broadly, no, we don't. The whole thinking around renewal from a client perspective is we are now going to continue our journey that we have been on.

Here is the way we would like to think about the next five, seven, 10 years depending on the contract, and here is what -- and this is the interesting part about most of our relationships and characterizes the underpenetration that is there and the opportunity that is there. It is always a conversation about now when we think about the next journey what else can we think about; what else can we add to the pie? What else can we replicate? How else can we go upstream adjacent?

So, in effect, the contract actually undergoes its next evolution. First of all, it is very rarely an apples-to-apples comparison. Broadly, the way I would characterize it is that we would think about the contract in terms of its margin profile continuing on into the future.

So I would less talk about pricing and more about its margin profile, because there are many other changes that happen in those discussions. It is an opportunity to sit down and relook at the full opportunity.

Operator

Bryan Keane, Deutsche Bank.

Bryan Keane - *Deutsche Bank - Analyst*

Just wanted to ask about capital markets. Obviously that was still a little area of softness. Interested to know what the outlook looks like in that business as we head, as we develop into 2013. Also, if you can remind us what percentage of revenue capital markets is for total Genpact revs.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

So let me answer the first part, Bryan. Our outlook for the capital markets business in terms of the industrial vertical is not a surprise. I mean everyone in that space is thinking about the secular change that that industry is going through and what it means for them. What it means for the products they have, the technology platforms they have, and how they are going to provide those services. What it means for them from a regulatory perspective and complying with those regulations, and which products are going to continue on in their portfolio.

So as they undertake those changes they are restructuring. I mean you and I both read enough newspaper articles about those types of restructuring decisions.

They are also taking a very hard look at their overall spends and, as you can imagine, capital markets as a vertical has significant technology spends. They are looking at significant components of that which are discretionary and saying which of those do I continue and which of those I don't need right now. We see those probably continuing to play out and 2013. That is the way we have thought about 2013.

At the same time, for the very reasons I talked, they are also saying it is time for us to think about running this business differently, about thinking about the combination of process and technology, about thinking about some of the enterprise G&A functions. Obviously in those areas the core Genpact process capabilities, the core Genpact Smart Decision Services capabilities, redesign capabilities, bringing SEP and Lean Six Sigma and analytics, plays out really, really well.

We are, therefore, and have been in significant conversations with a number of these relationships. And these relationships are deep, strong, and get great service from our capital markets business.

So in conclusion, all of that is in the mix in 2013. We continue to think that the business vertical is going to go through our continued relook at discretionary spends and that is how we modeled, but transformational agendas are real.

As a proportion of the business, Mohit?

Mohit Bhatia - *Genpact Limited - CFO*

It is about 8% to 10% of our revenues.

Bryan Keane - *Deutsche Bank - Analyst*

Okay, 8% to 10%. Then just wanted to ask a general question on the adjusted margins. Obviously this year with the acquisition in general margins are kind of flattish to down a little. Do we ever get to a future point of scale where we can get adjusted margins to increase with the revenue growth?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

So I will answer that, Bryan. The one quick final answer I want to add, one line I want to add to the capital markets business and I talked about in the prepared script is we haven't seen -- so we have talked about all the discretionary spends under pressure, etc., in the past. That is just continuing.

We haven't seen any further deterioration. It is actually a stable and the view of our 2013 is stability from that perspective as we go from 2012 to 2013 in the capital markets vertical.

Margin. Bryan, this is a business where the runway for growth is long. This is a business where underpenetration is the only way to characterize every industry vertical, every geography, and every service line.

In that context it is, therefore, an industry where; it's, therefore, a business where we will think about stable margins with focus on investing in the right areas, either from a domain or from a capabilities or from a client-facing team. All from things like Lean Six Sigma, Smart Enterprise Process, new products -- all of which are the things that we tend to spend our investment dollars on.

So I don't think we have a clearer definition at this point we are going to increase our margins. Our view right now is stable margins.

Operator

Kunal Tayal, BofA Merrill Lynch.

Kunal Tayal - *BofA Merrill Lynch - Analyst*

Thanks. Tiger, firstly I wanted to understand the 2013 revenue guidance in terms of trends that you expect for IT and BPM buckets.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Kunal, the trends for BPM are obviously typically the BPM business gives you more visibility, particularly on the process side which is a significant part of what we do in BPM. Very high visibility typically. Therefore, that is what has been modeled into our 2013 plans.

When we get to technology and IT services, clearly there is there is a shorter cycle element to that and there is a discretionary element to that. I think the way I would characterize 2013, the planning, is cautious optimism when it gets to those types of areas in the context of the volatile uncertain world that we keep referring to.

Then there is Smart Decision Services where a lot of the transformational agendas we think are going to continue to grow at the pace at which we have seen. And within analytical businesses and analytical services the discretionary end of it, which is not very large for us but is there, those will continue to be under scrutiny to make sure that they are the right spends that our clients want to do in their industry vertical at a particular point in time. All of those are part of our model for 2013.

Kunal Tayal - *BofA Merrill Lynch - Analyst*

So I guess fair to assume that BPM continues to grow maybe a shade faster than IT services for you all?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Absolutely, absolutely. Probably more than a shade faster than IT services.

Kunal Tayal - *BofA Merrill Lynch - Analyst*

Right. Then I know you have just talked about capital markets, but then your BFSI growth rates have shown a nice uptick from 8% YOY to 14%, 15% this quarter versus the previous quarter. So, firstly, was that planned?

Then YOY you have talked about any improvement in spend sentiment that you have seen from BFSI clients, specifically over the past one or two quarters?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Kunal, as you know, our business is not about spends. It is about spends only in the technology side, and on the discretionary end of technology and analytics. Our business is about providing services in a more efficient way and then adding an effectiveness layer, bringing outcomes, helping clients deal with new risk and regulatory requirements, helping clients deal with new revenue growth opportunities, cross-sell, managing receivables, and so on. So it is less about whether BFSI has started spending in our case.

It is about has BFSI got to a point where they are now revisiting their transformational agendas. They know what to do and then they start the partnership journey. And we have seen that journey actually pick up through 2012.

Again, in our business it takes time to see that flow through the revenue. We have seen that flow through the revenue in the quarter four, so as we think about 2013 we have a good pipeline around the banking and financial services vertical, as well as insurance. All of which gets categorized under that BFSI umbrella.

Operator

Manish Hemrajani, Oppenheimer.

Manish Hemrajani - *Oppenheimer & Co. - Analyst*

Good morning, Tiger and Mohit. Good quarter, guys. Can you comment on the decision cycle timelines? Industry rhetoric of late has been that pipelines are strong but cycle times are long. Are you seeing any improvement there or are you seeing anything different?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Actually, Manish, we are neither are seeing an improvement nor seeing a deterioration broadly. I want to make sure it is broadly, because the world is not one statement for the world. The world has now got characterized into different geographies, different verticals, different industries, and different services, and they do tend to have their individual volatility.

But, broadly, I would say decision cycle times have remained stable. Broadly it is not accelerated, neither has it deteriorated, and it has actually been stable for a consistent period of time.

We saw pockets of acceleration in Europe. We are now seeing at least addition to the pipeline in the Americas from a geographic perspective. I mean that is the way we would characterize it.

Manish Hemrajani - *Oppenheimer & Co. - Analyst*

Got it. On the JAWOOD acquisition was there a competitive bidding process? And then how large do you think the opportunity is in the ICD9 to 10 conversion, if you can quantify that?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

No, it was much more of a discussion that we started off quite some time back with our focus around the healthcare vertical. So I wouldn't necessarily call it a classic competitive process.

Around ICD9, ICD10 there are clearly segments that they operate in. There are specific capabilities around that. I think we will probably talk a little bit more in detail when we get to the investor day when we talk about the healthcare vertical. That might be a good venue to talk about it.

Operator

David J. Koning, Robert W. Baird & Co..

David J. Koning - *Robert W. Baird & Co. - Analyst*

Nice job. I just had a couple of housekeeping questions. On the revenue trajectory through the year typically you guys see revenue down sequentially. And I was just curious with the acquisition coming on should we expect that to still be down sequentially or can maybe it be flattish or up slightly?

Mohit Bhatia - *Genpact Limited - CFO*

The sequential mix of revenue next year will be pretty much in line with what you saw in 2012. So there is typically a dip in quarter one for reasons we have stated in a past, but it does then improve sequentially for the rest of the year. So if you look at our trend in 2012, we expect it to be reasonably similar to that in 2013.

David J. Koning - *Robert W. Baird & Co. - Analyst*

And then should we make the same assumption for margins? I think historically they have been weaker in Q1 and the strongest in Q4, but last year they were pretty stable throughout the year so should we expect that, too, in 2013?

Mohit Bhatia - *Genpact Limited - CFO*

Actually, it is a good question. You should also expect the margin profile to be a lot more even this year, just like it was last year. In all in the past our margins have been lower in the first quarter and then improved sequentially. Given various puts and takes, including the phasing of some of our investments, we do expect the AOI margins to be more even very similar to 2012.

David J. Koning - *Robert W. Baird & Co. - Analyst*

Okay. Then just on FX gains and losses, I think at the beginning of the year the rupee was around 55 and now it is around 53. So if it would end there this quarter you would probably have a little bit of a loss in Q1, so are you factoring any FX gains or losses into the guidance?

Mohit Bhatia - *Genpact Limited - CFO*

So the foreign exchange re-measurement gains or losses, which appear below the income from operations line, are actually not part of our guidance. In fact, we don't guide to EPS, as you know, so they don't impact the adjusted operating income line at all.

So our guidance of 15.8% to 16.3% AOI is in fact not impacted at all by the remeasurement line, but indeed gains and losses will impact net income and EPS. And I think your question was whether we plan for that. We don't. It is a quarter-to-quarter re-measurement and it is hard to predict what that might be.

David J. Koning - *Robert W. Baird & Co. - Analyst*

Okay. Thanks, guys. Nice job.

Operator

Arvind Ramnani, BNP Paribas.

Arvind Ramnani - *BNP Paribas - Analyst*

Just a couple of questions on your JAWOOD acquisition. I assume when you do these acquisitions there is some efficiencies that you can leverage by using your HR systems and other sort of operational things. So does your guidance assume any kind of efficiencies, like operationally, through the acquisition?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Actually we don't think too much about benefits from HR systems, etc. We execute it. The reason I am saying that it is because these are acquisitions for capabilities. These are acquisitions for adding growth in specific verticals and building capabilities in those verticals. That is the focus of these acquisitions.

These are not acquisitions where the objective is to quickly find a way to get that extra 1% incremental margin. There would be acquisitions like that I am sure, but in the context of JAWOOD, and actually quite a few of the acquisitions that we have done in the recent past, they have all been focused on capabilities. They have all been focused on bringing those capabilities to our clients, often and most often existing clients, and driving growth.

So, yes, we will get some benefit and we will see that as we go over the next couple of years that Mohit has talked to and referred to as margin improvement of that business. That will happen, but the thesis is built on growth.

Operator

I would now like to turn the call back to Bharani Bobba for closing remarks.

Bharani Bobba - *Genpact Limited - IR*

Thanks, everyone, for joining our call today. Once again want to iterate, we look forward to seeing everyone on February 20 during our Investor Day. Thanks very much.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Thank you.

Operator

Thank you for joining today's conference. This concludes your presentation. You may now disconnect. Good day.
